

## CBI MARKET SURVEY

# THE ELECTRONIC COMPONENTS MARKET IN ESTONIA

Publication date: September 2006

### Introduction

This CBI market survey gives exporters in developing countries information on some main developments concerning the electronic components market in Estonia. The information is complementary to the information provided in the CBI market survey 'The electronic components market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>

## 1. Market description: industrial demand and production

### Industrial demand

The electronics industry in Estonia consists of hundreds of companies. However, it is the Finnish Elcoteq, Nokia's major EMS subcontractor, that came and based an important part of its production facilities in Estonia, and as such became the major driver of Estonia's production growth. As a result, the country became highly specialised in mobile handsets. Elcoteq alone represents half of Estonian electronics industry sales.

Referring to table 1.1, with an average growth of over 15% per year for the 2005-2010 period, the Estonian component market has the highest growth potential level among all the EU25 national markets. The solid position in mobile handset could be reinforced by real opportunities for production diversification. The country ranked fourteenth in the EU in 2005, far behind Belgium/Luxembourg, but far ahead of Austria and Portugal.

**Table 1.1 Estonia's market of electronic components, 2003-2010, € million**

	Market value				Growth rates (%)	
	2003	2004	2005	2010	04/05	05/10 (annual)
Active components	403	476	517	1,144	8.8	17.2
Passive components	49	50	53	77	5.3	7.8
Electromechanical components	124	131	142	252	9.0	12.1
<b>Total</b>	<b>576</b>	<b>656</b>	<b>712</b>	<b>1,473</b>	<b>8.5</b>	<b>15.6</b>

Source: Decision (July 2006)

### End users

End users of components are represented in several areas. Most of the companies with foreign ownership are EMS-providers catering to (most Scandinavian) multinationals. Some examples of end users are ABB (<http://www.abb.com>; mechanical engineering), Fabec Elektroonika (<http://www.fabec.ee>; electronic engineering), Tarkon (<http://www.tarkon.ee>; mechanical engineering) and Tondi Elektroonika (<http://www.tondi.ee>; hearing aids).

### Production

Although one of the smaller component producers in Europe, production in Estonia is growing. In line with this, electronic assemblies production grew too: it increased more than 700% in the period 2000-2004. Although one of the smaller producers of assemblies, comparable in size to the Czech Republic, Greece and Austria, the country still ranks higher than other Central European countries such as Slovakia, Slovenia and Lithuania.

Beside a range of local Estonian companies, the country is home to many multinational component producers. Some examples of the locals are Contech (<http://www.conteche.ee> (actives and passives), Estel Pluss (<http://www.estel.ee>; a.o. semiconductor converters and

transformers), Harju Elekter (<http://www.harjuelekter.ee>; switchboards and cable harnesses), IPA (<http://www.ipa.ee>; assemblies), RD Electronic (<http://www.rd.ee>; assemblies) and Starlevel (<http://www.starlevel.ee>; electromechanical components). Examples in the category of multinationals are Amphenol (<http://www.amphenol.com>; assembly and manufacturing of passives and connectors), Leab (<http://www.leab.se>), PKC (<http://www.pkcgroup.com>; electronic assemblies e.g. wiring harnesses) and Stoneridge (<http://www.stoneridge.com>). Examples of EMS-providers are listed in table 1.2.

**Table 1.2 Examples of EMS-providers in Estonia**

Company	Products	Website
Efore	High volume / low volume; components	<a href="http://www.efore.fi">http://www.efore.fi</a>
Elcoteq	Assembly for telecommunication	<a href="http://www.elcoteq.com">http://www.elcoteq.com</a>
Enics	Valves, tubes and other electronic components	<a href="http://www.enics.fi">http://www.enics.fi</a>
Incap	Components and assemblies	<a href="http://www.incap.ee">http://www.incap.ee</a>
IPM	PCB assembly etc.	<a href="http://www.ipm.ee">http://www.ipm.ee</a>

Sources: Enterprise Estonia (2005) and Facts Figures Future (2006).

### Trends

- In recent years several multinationals relocated part of their production to low wage countries like Estonia. A significant example is the Finnish EMS-provider Elcoteq, which located most of its high and medium volume production in Estonia.
- Local Estonian companies have been successful in entering the markets of the other Baltic States and Scandinavia.
- Estonian PC assembly has shown interesting growth rates in recent years.

### Opportunities and threats

- + Local market is expected to show fast growth in the coming years.
- + Local production has taken off in recent years.

### Useful sources

- Association of Electronics & Instrument Engineering Enterprises – <http://www.elin.ttu.ee>
- Federation of Estonian Engineering Industry – <http://www.emliit.ee>
- Estonian Electronics Society – <http://www.eeu.org.ee>
- Statistical Office of Estonia – <http://www.stat.ee>
- Enterprise Estonia – <http://www.eia.ee> and <http://www.hightechestonia.com>

## 2. Trade: imports and exports

### Imports

In 2005, Estonia's imports of components and assemblies totalled € 211 million and € 130 million respectively. The country was a small importer of electronic components in Europe, smaller than Denmark but larger than the other Baltic States and countries such as Slovenia and Greece. In line with the market trend, the total import value of components in Estonia decreased in recent years: 50% in the period 2001-2005. Electromechanicals (44%) accounted for the largest share of total imports, followed by actives (32%) and passives (24%). Assemblies imports increased enormously – over 80%. DCs' shares in 2005 were 9% (components) and 15% (assemblies) respectively. China was by far the most important components supplier (6%), followed by Thailand and Malaysia (both 1%). China was by far the most important assemblies supplier (14%) as well.

### Exports

The total export value of Estonia increased in the period 2003-2005: it grew 44%, totalling € 28.6 million in 2005. In the same period, electronic assemblies (especially PCBs) exports increased too: by 15%, totalling € 23.6 million in 2005. Unfortunately, the value of re-exports is unknown, as Eurostat doesn't allow such detailed analysis.

### Opportunities and threats

- + Quick growth of imports in recent years, with considerable shares for DCs.
- + Export value has been growing in recent years.

### Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

## 3. Trade structure

Generally, the intermediary channels (importers, agents, distributors) are the most suitable trade channels for DCs. Examples of distributors in Estonia are Arrow ([www.arrowne.com](http://www.arrowne.com)), EBV (<http://www.ebv.com>), Future Electronics (<http://www.futureelectronics.com>), Klinkmann (<http://www.klinkmann.com>) and Richardson Electronics (<http://www.rell.com>). Please refer to the CBI market survey “The Electronic Components market in the EU” for general information on trade structures in Europe. For more information on finding prospects in this country, please refer to section 6.

## 4. Prices

Prices of electronic components and assemblies continue decreasing year after year. While electromechanicals and assemblies are down by 5-10% annually, semiconductors and most passive components decrease 10-30% annually. However, there might be exceptions, depending on supply in relation to demand and raw material costs. Both websites of distributors (refer to section 3) and websites of associations (refer to section 1) may include prices of components. One example is the site of distributor Spoerle (<http://www.spoerle.com>; click on the icon of the shopping cart).

## 5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information go to ‘Search CBI database’ at <http://www.cbi.nl/marketinfo>
- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- In Estonia, the VAT tariff is 18% - <http://www.expatax.nl/vatrates>.

## 6. Business practices

### Finding prospects

Among the helpful websites that can be used to identify prospects are the company databases such as Europages - <http://www.europages.com>, KellySearch - <http://www.kellysearch.co.uk>, Kompass - <http://www.kompass.com> and Thomas Global Register - <http://www.trem.biz>. Refer to the manual “Digging for Gold” for guidelines on searching with these databases. Also, the exhibitor database of trade fair Electronica (refer to trade fairs; below) can be used to identify key players in the industry. Moreover, trade associations mentioned in section 1 might contain company data as well.

### Trade press

In general, German trade magazines contain very good information, also for this country. Another good option might be the magazines of neighbouring countries. To find relevant European trade magazines, visit Components Source (<http://www.componentssource.com>; click ‘magazines’) or consult the CBI market survey “The Electronic Components Market in the EU”.

**Trade fairs**

The largest components trade fair in Europe is Electronica (<http://www.global-electronics.net>). Further, visiting trade fairs in neighbouring countries could be an option as well. Please refer to Auma (<http://www.auma.de>) and EventsEye (<http://www.eventseye.com>) to find relevant fairs.

This survey was compiled for CBI by Facts Figures Future in collaboration with Mr. G. Fandrich.

Disclaimer CBI market information tools: <http://www.cbi.nl/disclaimer>